

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7121

BILL NUMBER: HB 1398

DATE PREPARED: Dec 31, 2001

BILL AMENDED:

SUBJECT: EDGE Credits.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: This bill authorizes the EDGE (economic development for a growing economy) board to approve an EDGE income tax credit although no other state is competing for the project for which the credit is sought. (Current law requires that at least one other state must be competing for the project.)

Effective Date: July 1, 2002.

Explanation of State Expenditures: The Department of Commerce (IDOC) could experience an increase in expenditures for the certification of additional EDGE tax credits under the bill. The IDOC is required by current law to inform the Department of State Revenue (DOR) whether or not the company is entitled to the credit. The additional expenses and demands associated with additional approvals would affect the IDOC. However, it is expected that the IDOC could absorb the impact given its existing budget and resources. As of December 3, 2001, the IDOC had 18 vacant full-time positions.

Explanation of State Revenues: The bill could increase the amount of EDGE credits awarded by the IDOC. In 2000 the EDGE Board (the Board) certified \$62.9 M in EDGE tax credits to 16 businesses, with anticipation of 6,382 jobs being created. The IDOC also reports that in the 2000 tax year approximately \$17.8 M in EDGE tax credits may be taken by all projects from 1994 to date. Currently, EDGE credits available in tax year 2001 amount to \$21.9 M, \$26.8 M in 2002, \$30.6 M in 2003, and \$34.6 M in 2004.

Under current law (P.L. 41-1994), the Board determines the amount and duration of a tax credit awarded to a qualified company. The duration of the credit may not exceed ten taxable years. The credit may be stated as a percentage of the incremental income tax withholdings attributable to the applicant's project and may include a fixed dollar limitation. The credit amount may not exceed the incremental income tax withholdings. However, the credit amount claimed for a taxable year may exceed the taxpayer's state tax liability for the taxable year, in which case the excess is refunded to the taxpayer.

The revenue loss from these credits affect revenue collections deposited in the General Fund and Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Commerce; Department of State Revenue.

Local Agencies Affected:

Information Sources: State of Indiana, *HRM Detail Staffing Report, 12/03/2001*; Christina Cozzolino, EDGE Program Manager, Indiana Department of Commerce, (317) 233-3397.